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SUBJECT: ROK PRESIDENTIAL ELECTION: STILL THE POLITICS OF
THE VORTEX

REF: A. SEOUL 2048

¶B. SEOUL 1686

Classified By: Amb. Alexander Vershbow. Reasons 1.4 (b,d).

SUMMARY

¶1. (C) The late Gregory Henderson, an FSO who had served several tours in Korea in the 1940s and 1960s, is well remembered as the author of "Korea: The Politics of the Vortex." The title remains an accurate description of Korean politics today: a spiraling whirlpool that sucks everything toward its center. Everything that gets caught in its wake is destroyed or damaged. The latest victim is former Seoul Mayor Lee Myung-bak, who looked like a shoo-in a month ago, but now has to deal with a growing list of corruption allegations centered on how a former salaryman could have amassed such a large personal fortune. The answer, suggests Lee's principal detractors, GNP opponent Park Geun-hye and President Roh Moo-hyun, is that the former mayor used inside information to buy land in the name of his family and cronies. Lee's detractors are also sucked in because they apparently used unsavory means -- including the ROK intelligence service and private detectives to "investigate" Lee. Park has also been forced to explain her own past, including her relationship some 35 years ago with a pastor, Choi Tae-min, whom her opponents characterize as a "Korean Rasputin," and how he controlled Park during her time in the Blue House when she was first lady after her mother's assassination. The result is that there is a real race in the GNP, with Lee and Park locked in a bloody struggle for the nomination, which will be decided in the August 19 primary. A damaged GNP nominee is exactly what the ruling camp needs for a competitive race in December, because none of their candidates has reached even 10 percent in the polls.

¶2. (C) As in Henderson's days, the Korean political whirlpool is less about policies than personalities. Candidates are paying little or no attention to issues such as the economy, education reform, or what to do about North Korea. Rather, it's all about who former President Kim

Dae-jung might bless, or how sitting President Roh Moo-hyun will make sure that his successor won't throw him or his staff in jail, or whether North Korean leader Kim Jong-il will decide to help those more sympathetic to Pyongyang. Above all, it's about finding dirt by any means to bring down the nearest opponent. For us, the good news is that this is shaping up to be an election in which the United States is far from the vortex, quite unlike the 2002 election which had us in the middle of the whirlpool following the death of two schoolgirls accidentally struck by a USFK vehicle. Moreover, Korean policies toward the U.S. are not likely to change dramatically regardless of who wins. END SUMMARY.

GNP CANDIDATES: OUT OF THE FRYING PAN AND INTO THE FIRE

13. (SBU) One month of unremitting revelations on his personal financial dealings have taken a toll in Lee Myung-bak's polls. In a July 5 poll by CBS and Real Plus, a polling company, 36.8 percent of those surveyed supported Lee while 29.7 percent supported Park Geun-hye. The gap between the two has, therefore, significantly decreased over the last two months as Lee had consistently led the race by over twenty percentage points (ref A). This slide is undoubtedly due to suspicions raised by his opponents on Lee's purported real estate speculation and other business dealings. Simply put, Lee estimates publicly that his wealth totals around USD 25 million; his detractors allege that Lee's true worth is around USD 700 million, and they are trying to prove it. Adding color to the controversy are revelations that the Blue House may have asked the National Intelligence Service (NIS) to set up an office to investigate Lee's past financial dealings. The so-called TFMB ("Task Force Myung Bak") has apparently maintained a dossier on Lee since 2005, quite

contrary to President Roh's promise that he would not use the nation's intelligence or law enforcement agencies for political ends. Lee has even accused the Blue House and Park Geun-hye of conspiring to discredit him. These allegations gained some traction earlier this week when one of Park's staff members was arrested for allegedly requesting confidential information about Lee from a retired police

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officer.

14. (SBU) Of course, Lee is not taking all of this abuse lying down. Employing the wisdom from "Those who live in glass houses shouldn't throw stones," Lee's counter-offensive is leaving no stones unthrown in exposing Park's past. Lee's staffers are trying their best to characterize Park as not quite the unblemished princess she claims to be. On June 12, a son of the former founder of the Chung-soo Scholarship Fund, established from enormous donations to a Park Chung-hee memorial, accused Park of embezzlement and tax evasion during her tenure as the director of the fund from 1994 to 2005. Perhaps even more damaging to her image as the maiden who sacrificed herself in the service of the nation upon the assassination of her mother, Park has been linked to the late Choi Tae-min, a charismatic pastor. Rumors are rife that the late pastor had complete control over Park's body and soul during her formative years and that his children accumulated enormous wealth as a result.

15. (SBU) As the two leading candidates slug it out for the top spot in the race, neither will emerge from the battle unscathed. As prosecutors get more and more involved in the internal scuffle, the GNP, led by Party Chairman Kang Jae-sup, continues to look for ways to minimize the damage and keep some sense of order. The latest was the July 19 nationally televised session of "qualifications hearing." During these GNP hearings -- three hours each for Lee and Park -- carried by all three TV networks, Korean voters were treated to highly personal and embarrassing Qs-and-As, ranging from Park's relationship with Pastor Choi to detailing all of Lee's wealth, his military service and his childhood.

¶6. (SBU) Liberals should of course be having a field day watching Park and Lee go at each other. But it has not been exactly like that because all of their candidates are depressingly behind both Park and Lee in the polls. In fact, the only one who registers anywhere near double digits is a GNP defector, former Gyeonggi Governor Sohn Hak-kyu, who scores around 7-9 percent in the polls, ahead of former Prime Minister Lee Hae-chan's 3.7 percent and former Unification Minister Chung Dong-young's 2.2 percent, but far behind the two GNP candidates. Among polls that only consider center-left candidates, 27.6 percent of those surveyed said they support Sohn while 11.4 percent supported Chung Dong-young and 8.1 percent supported Lee Hae-chan.

¶7. (SBU) Suspicious and jealous of this late-comer, liberals are intensely scrutinizing Sohn's bona fides. Among the liberals, the most common complaint is that Sohn is not a true believer and that he is not "one of us." Rep. Kim Geun-tae, leader of the disintegrating Uri Party and a stalwart progressive with a long history of victimization during the authoritarian era, has characterized Sohn as a man without principles. Kim has been particularly scathing about Sohn's political associations, noting that he was a student activist who went to study abroad just when his colleagues were being tortured and put in jail. Thereafter, Sohn came back, joined the governing party and prospered. Led by Kim, liberals are demanding to know who financed Sohn's doctoral studies at Oxford University, because rumor has it that the KCIA footed the bills. Most pundits expect to hear more on Sohn's past, especially if he continues to do well in the polls.

¶8. (SBU) Other leading contenders in the liberal camp are familiar figures from the Roh administration. Former Prime

Minister Lee Hae-chan is a very close associate of the President, and is widely assumed to be Roh's favorite. Lee would largely continue Roh's policies, favoring labor and progressive NGOs and engaging North Korea. Most important, continuity under Lee means protection for Roh and other figures in the current administration from legal and tax investigations that are always a concern for departing Korean presidents. Still, Roh's support is a double-edged sword, because anti-Roh sentiment remains rife among the public and among the ruling party legislators. Lee is also close to former President Kim Dae-jung, a powerful, if not the dominant, force in the liberal camp. Because of these alignments, many pundits are picking Lee as the dark horse candidate for the liberals, despite his polls, which remain well under 5 percent.

¶9. (SBU) Unlike Lee Hae-chan, Chung Dong-young had a big falling-out with President Roh, thus earning enmity from Roh loyalists, still a sizeable number among the center-left. At the same time, Chung, having served for a number of years as a very visible unification minister, cannot disassociate himself from Roh or the current administration's policies. Therefore, it appears that there is not much room for Chung in the liberal camp: with no association with the current government, Sohn Hak-kyu is settling in as the leading candidate, while Lee Hae-chan represents the pro-Roh faction and has Roh's backing. Some pundits, however, believe that Chung could still end up as the liberal standard bearer, noting that he, unlike Sohn or Lee, is from Jeolla, a region that will undoubtedly give 90 percent or more support to the eventual liberal candidate, and is quite charismatic, also unlike his liberal opponents.

¶10. (SBU) True believers in the vortex, liberals believe that they still have plenty of time to get their act together. They are now planning to launch a new party incorporating all center-left factions by the end of July or early August. Thereafter, they will hold a "cut-off primary"

by the end of August in order to filter out the less-popular hopefuls, then move on to the official primary sometime in late September, and finally confirm their candidate by October. Liberals are even considering cell phone primaries, much like the popular TV show "American Idol." They believe that the excitement created by mass participation and thrilling primaries will generate interest and support for the eventual candidate.

ELECTION ISSUES

¶11. (C) ECONOMY: The one unifying factor in the election thus far is a general dissatisfaction with the economy's performance. Overall macroeconomic performance is actually solid: GDP growth is expected to reach 4.5 percent this year (a projection recently boosted from 4.4 percent), inflation is low, the won is strong (a challenge for many exporters), and foreign currency reserves have hit USD 250 billion. Koreans are accustomed, however, to higher historic growth rates, and also worry about long-term challenges that have been extensively covered in the media. While the overall employment rate is a low 3.5 percent, the unemployment rate for new entrants into the labor force (ages 24-28) exceeds 10 percent, and many recent graduates are in temporary contract jobs with limited prospects. The recent boom in real estate prices in Korea (and especially Seoul) has exacerbated perceptions of a split between haves and have-nots, and made it difficult for first-time home purchasers to enter the real estate market.

¶12. (C) There are deep concerns about international competitiveness, and of Korea being "sandwiched" between high-tech Japan and low-wage China, and those fears have been amplified by some recent earnings disappointments by bellwether firms like Samsung and Hyundai. This concern that Korea's existing economic model needs to be changed has accounted for the surprisingly strong public support for the KORUS FTA and for future FTAs with the European Union, and possibly even Japan or China, and has also led to a general

sense that Korea faces too many urgent economic challenges to elect another government focused on redistribution rather than growth. Most Koreans are more interested in a proven track record of business know-how and real-world experience creating jobs. In this area, Lee Myung-bak, a former Hyundai executive, and Sohn Hak-kyu, former Governor of prosperous Gyeonggi Province, outshine all other candidates. But Lee has dented his own image with his controversial trans-Korean canal project (ref B).

¶13. (SBU) FOREIGN POLICY: Foreign policy is likely to be a secondary concern, and North Korean engagement will be the only foreign policy issue that really matters. The GNP's recently revised policy of "A Vision for Peace on the Korean Peninsula" strikes a noticeably softer tone toward North Korea; it provides some political latitude for Park and Lee to speak more freely about engagement with North Korea when and if it suits their campaign objectives. The new approach is seen by most as a political ploy (and neither Park nor Lee has fully embraced the new policy) and is not considered a major policy shift. Although national security issues are not generally perceived as the top priority in the current campaign, DPRK issues can always become a factor in the event of a last-minute ruling party gambit such as a North-South summit.

¶14. (SBU) EDUCATION: Education is a perpetual issue in Korean elections, but this year it is particularly contentious because of the friction between the Roh administration and higher education professionals on college admissions criteria. (NOTE: The Ministry of Education demanded that universities give at least 50 percent weight to high school academic records in determining admissions beginning in 2007. The universities balked at such intervention, and the Ministry ultimately backed down. END NOTE.) The GNP and the Uri Party also went through a

tug-of-war as the National Assembly re-revised the much disputed Private School bill (that would force private school boards to allow "outsiders" also to sit on the board with school-appointed members) and passed the Law School bill (to change the format of law schools to resemble the U.S. system) on July 3. On both issues, Lee Myung-bak and Park Geun-hye argue for giving more leeway and autonomy to schools and universities over whom they admit, while the liberal candidates focus on granting easier access to education to the have-nots. All agree that English-language education is important and that education is an enormous economic burden because of costly after-school lessons that most Korean parents believe their children need to succeed. The public wants new ideas but is not likely to hear any from the current candidates about this perennial problem.

NON-ISSUE: U.S.-ROK ALLIANCE

¶15. (C) We succeeded in resolving the most sensitive alliance issues earlier this year, including the future transfer of wartime operation control of ROK forces. Absent unexpected developments, the USG therefore should be able to keep its head down and not become a factor in the election. Following the successful conclusion of the KORUS FTA negotiations (and more recent additional negotiations) and the return of 23 USFK military installations to the ROKG, the U.S.-ROK relationship is not likely to face any more "tests" in the months leading up the December election. None of the leading candidates has chosen to adopt an anti-U.S. position, and Park Geun-hye, Lee Myung-bak and Sohn Hak-kyu have each publicly spoken in favor of a closer relationship with Korea's key ally.

OUTLOOK

¶16. (C) Presidential elections in Korea are life and death struggles. To the winner go all the prizes: power, money, and the ability to destroy the enemy. The loser is just that, because there is no second place. The revelations of

the past few months, including Lee Myung-bak's numerous property and investment deals, Park Geun-hye's unusual relationship with Pastor Choi, and the NIS taskforce established to unearth Lee's financial skeletons, are just the opening salvos. In the coming months we'll see a lot more.

¶17. (C) In this lively infant democracy, we are also likely to be treated to a competitive race, because the enormous lead in the polls enjoyed by the conservatives will likely evaporate by election time. This point was driven home in a recent poll conducted by TNS, an international polling company. According to the poll, 40 percent of the 1,000 respondents identified themselves as "core GNP-supporters," who would support either Lee Myung-bak or Park Geun-hye as the presidential candidate, support the GNP as a party, and support a change in government; another 23 percent identified themselves as "core GNP-opponents," who would support neither Lee Myung-bak nor Park Geun-hye, oppose the GNP, and see no reason for a change in government; and the remaining 37 percent were "swing voters," who only partly supported the GNP. All experts quoted in the article, including Lee Sang-il, TNS director, Kim Heon-tae, KSOI director, and Park Sung-min, MIN Consulting president, agreed it would be a tough battle for the liberals to catch up, since they would have to gain the support of at least an additional 28 percent of total voters, or three quarters of the 37 percent swing voters, in order to reverse the current trend. Perhaps very tough, but certainly not out of the question.

¶18. (C) Finally, the stakes for the United States in the outcome of this election may be less significant than in previous years: anti-Americanism is declining, the defense alliance enjoys high levels of support, we are largely in

sync on North Korea, and the FTA -- which will add a new dimension to our relationship -- enjoys broad public support.

So whoever wins in December, we are likely to see continuity in U.S.-Korean relations.

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